

**KERNEL HOLDING S.A.**

Société Anonyme

19, rue de Bitbourg

L-1273 Luxembourg

R.C.S. Luxembourg B 109173

# **ANNUAL ACCOUNTS AS AT AND FOR THE YEAR ENDED**

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**30 JUNE 2020**

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## **AND REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ**

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## KERNEL HOLDING S.A.

19, rue de Bitbourg  
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R.C.S. Luxembourg B 109173

# Report of the board of directors to the shareholders' ordinary general meeting deliberating on the approval of the annual accounts to be held on 10 December 2020

Dear Shareholders,

**Kernel Holding S.A.**, (the "Company") was incorporated in Luxembourg on 15 June 2005 as a Société Anonyme ("S.A.") subject to the Luxembourg law for an unlimited period of time. Effective 12 April 2013, the Company has its registered office at 19, rue de Bitbourg, L-1273 Luxembourg. The Company is registered with the "Registre de Commerce et des Sociétés" in Luxembourg under the number B 109173.

The subsidiaries of Kernel Holding S.A. (forming together with the Company, the "Group") holds assets primarily in Ukraine and operate across the agricultural value chain.

The Group operates in farming, grain origination, storage, transport and marketing, and in the production, refining, bottling and marketing of sunflower oil.

The Group's goal is the continuous development of profitable and sustainable business that enhances its position a leader in the field of low-cost production, sourcing, processing and handling of agricultural commodities, bridging the resource-rich Black Sea region with large international consumer markets.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

We confirm that to the best of our knowledge and belief:

- The consolidated financial statements of Kernel Holding S.A. presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies; and
- The Board of Directors Report includes a fair review of the development and performance of the business and position of the Company and the undertakings included within the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

## Overview

Kernel Holdings S.A. being a holding company with no operational activity, the overview below is mainly done from the Group perspective, taking into account the performance of Kernel Holding S.A. as well as its subsidiaries.

In the year ended 30 June 2020, the Group generated USD 443,018 thousand EBITDA (up 28% y-o-y) and USD 120,728 thousand net profit attributable to shareholders of Kernel Holding S.A. (down by 16% y-o-y).

## Acquisitions/disposals

On 31 July 2019, the Company increased its participation in Avere Commodities S.A. after entering into a share purchase agreement to purchase an additional holding in the company for CHF 12.500,00 (equivalent to USD 12,624.54).

On 29 November 2019, the Company has provided its affiliated undertaking Taman Grain Terminal Holdings Limited with a capital contribution for an amount of USD 2,630,000.00.

On 6 December 2019, the Company entered into a participatory interest sale and purchase agreement, whereby it acquired 45.23% participation holding in Prydniprovskiy Krai Agricultural LLC for an amount of USD 1,573,781.75.

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## Annual accounts for the year ended

30 June 2020

## KERNEL HOLDING S.A.

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## Acquisitions/disposals (Continued)

On 20 December 2019, the Company has increased its participation holding in Etrecom Investments Ltd by an amount of EUR 13,482,300.00 (equivalent to USD 15,000,000.00) which was set-off against the loan principal payable to the Company.

On 3 January 2020, the Company has acquired full ownership of Starokonstantynivskiyi OEZ LLC for an amount of USD 34,890,038.32.

On 14 January 2020, the Company has acquired 1.51% participation holding in Enselco Agro LLC for an amount of UAH 143,886.00 (equivalent to USD 5,184.15).

On 27 January 2020, the Company disposed of 10% participation holding in Prydniprovskiyi Krai Agricultural LLC amounting to USD 393,778.72 for a consideration price of USD 347,948.78.

On 11 February 2020, the Company disposed of 82.76% participation holding in Starokonstantynivskiyi OEZ LLC for an amount of USD 28,874,587.59 for a consideration price of USD 29,000,000.00.

On 18 March 2020, the Company, as a "Seller", entered into a 'Sale and Purchase' agreement whereby it agreed to dispose of its participation holding in Taman Grain Terminal Holdings Limited amounting to USD 97,536,807.25.

On 20 March 2020, the Company, as the absorbing company, merged with its affiliated undertaking Jerste S.à r.l. Out of this merger, the Company recognized a financial gain of USD 392,420,950.73. Moreover, the Company absorbed the following participation holdings:

- 99.99% holding in Chorna Kamianka LLC with a net book value of USD 6,215,549.01
- 99.99% holding in Agroservis LLC with a net book value of USD 1,170,213.96
- 99.99% holding in Ahrofirma Khliborob LLC with a net book value of USD 11,554,382.33
- 99.99% holding in Hovtva Agricultural LLC with a net book value of USD 4,478,278.36
- 98.48% holding in Enselco Agro LLC with a net book value of USD 737,012.21 bringing its total participation holding in the affiliated undertaking to 99.99% amounting to USD 742,196.36
- 99.99% holding in Urozhai Agricultural LLC with a net book value of USD 2,740,328.51
- 100% holding in Druzhba-Nova Agricultural LLC with a net book value of USD 76,452,610.43
- 99.93% holding in Agropolis LLC with a net book value of USD 346,464.80
- 65.08% holding in Cherkaskiyi Public Joint Stock Company with a net book value of USD 680,010.69
- 54.77% holding in Prydniprovskiyi Krai Agricultural LLC with a net book value of USD 6,332,085.23 bringing its total participation holding in the affiliated undertaking to 89.99% amounting to USD 7,512,088.26
- 99.99% holding in Ahrofirma Zoria LLC with a net book value of USD 560,468.73
- 99.97% holding in Mriia Agricultural LLC with a net book value of USD 9,361,531.52
- 100% holding in Ahro Lohistyka Ukraina LLC with a net book value of USD 6,000.00
- 87.27% holding in Kernel Capital LLC with a net book value of USD 236,527,109.82 bringing its total participation holding in the affiliated undertaking to 99.97% amounting to USD 354,283,302.49
- 8.70% holding in Ukragrobusiness LLC with a net book value of USD 1.00 bringing its total participation holding in the affiliated undertaking to 100% amounting to USD 1.00
- 0.05% holding in Ahro Invest Ukraina LLC with a net book value of USD 390,000.00

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## **Report of the board of directors to the shareholders' ordinary general meeting deliberating on the approval of the annual accounts to be held on 10 December 2020**

### **Acquisitions/disposals** (Continued)

As at 30 June 2020, considering the financial situation of some subsidiaries, the management decided to record the following impairments and reversals of value adjustment:

- USD 169,483.30 in relation to its participation held in Bilovodskyi Kombinat Khiboprodyktiv reducing the net book value of investment from USD 4,198,809.70 to USD 4,029,326.40.
- USD 12,624.54 in relation to its participation held in Avere Commodities S.A., fully impairing the value of the investment.
- USD 2,282.40 in relation to its participation held in Filstar Limited, fully impairing the value of the investment.
- USD 896,416.35 in relation to its participation Ukragrobusiness LLC has been reversed considering the net assets of the subsidiary.

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### **Income statement highlights**

#### **Revenues**

The Group revenues exceeded USD 4,106,780 thousand in FY2020, adding 4% y-o-y. At the same time, sales structure changed substantially: sales of oilseeds downstream products exceeded revenue from grain and other agricultural commodities merchandising, mainly driven by change in physical trade structure of our Avere subsidiary.

#### **Cost of sales**

Costs of sales in FY2020 is virtually unchanged against the previous year, staying at USD 3,623,812 thousand. The Group increased shipping and handling costs (selling more on CIF/CFR basis in the ports of export destinations), amortization and depreciation (as a result of introduction of IFRS 16 standard), and payroll costs, but substantially reduced costs of goods for resale and raw materials used.

#### **Gross profit**

In FY2020, gross profit for the period increased by 38% y-o-y, or USD 461,989 thousand, of which USD 33,752 thousand is a positive effect from IFRS 16 introduction.

#### **Other operating income**

Other operating income amounted to USD 7,017 thousand, mainly comprising losses on contracts wash-out and gains on stock-take, proceeds received for assignment of our transshipment quota on Taman grain terminal in Russia to a 3rd party, and other items.

#### **General and administrative expenses**

General and administrative costs amounted to USD 131,730 thousand in FY2020, increase of 24% y-o-y was driven mainly by payroll costs increase impacted by UAH strengthening against USD, and growth in bank services expenses related to Avere operations (letters of credit).

#### **Operating profit**

Consequently, operating profit landed at USD 337,276 thousand, or USD 304,400 thousand if excluding IFRS 16 impact. EBITDA of the Group surged to USD 443,018 thousand, or USD 392,112 thousand if adjusting for IFRS 16 effect, up 17% y-o-y.

#### **Financing costs**

Finance costs in FY2020 totaled at USD 147,220 thousand, including USD 53,951 thousand IFRS 16 impact, namely interest on rent. Adjusted for it, finance costs reached to USD 93,269 thousand, up 13% y-o-y.

#### **Foreign exchange (gain)/loss**

For the year ended 30 June 2020, foreign exchange loss, net amounted to USD 1,012 thousand (30 June 2019: gain USD 12,860 thousand). The result for the period is mostly connected with fluctuations of the Ukrainian hryvnia exchange rate which influenced on revaluation of balances denominated in other than functional currencies, VAT and borrowings (including intra-group balances: the Company's subsidiaries operate with different functional currencies and during the normal course of business issue intercompany financing which, when revalued, causes either foreign exchange gains or losses at one of the Company's subsidiaries if they had different functional currencies).

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**Other expenses**

Other expenses spiked to USD 50,524 thousand in FY2020, substantially impacted by USD 46,374 thousand one-off loss related to divestment of our 50% stake in Taman grain terminal in Russia. While the total consideration received was above the carrying amount of the Group's interest in the joint venture, the Group recognized the loss due to reclassification of historical FX translation differences previously recognized in other comprehensive income to profit or loss.

**Income tax**

Corporate income tax expenses in FY2020 stood at USD 22,075 thousand, adding USD 10,173 thousand to FY2019 result.

**Net profit**

Net profit in the reporting period comprised USD 122,750 thousand, reducing by USD 55,754 thousand from the previous year level mostly due to one-off reclassification of Taman-related FX translation differences.

The Group has three business lines: oilseed processing, infrastructure and trading, and farming segments. Diversity of the business model played out once again in the current season. While Farming segment performance in FY2020 was undermined, the remaining segments delivered extremely good results, more than compensating for the profitability normalization in the crop production business.

Infrastructure and Trading segment is a clear winner this season. First of all, FY2019 Avere loss turned into FY2020 profit, securing a major portion of segment's EBITDA increase. Secondly, full year saving of our railcars added USD 25,000 thousand incremental earning to FY2019 results. Finally, our grain export value chain added USD 26,000 thousand EBITDA driven by record volumes and the launch of transshipment operations on our new export terminal.

The season was also very rewarding for our Oilseed Processing segment. Crush margin soared to USD 100 EBITDA per ton of sunflower oil sold, driven by a strong harvest of sunflower seeds in Ukraine and a generally more favorable sunflower oil pricing environment. As a result, segment EBITDA surged by 39% y-o-y, to US\$ 151,764 thousand in FY2020.

Farming segment posted USD 134,247 thousand EBITDA in FY2020. Excluding IFRS 16 impact, it implies a 54% decline y-o-y, to USD 83,341 thousand.

Oilseed processing is an export-oriented business. Over 95% of produced sunflower oil is exported in bulk, with EU, Iraq, India, China being our key markets. Our customers mainly include processors of soft commodities who refine and bottle sunflower oil, and big inter-national traders. The largest customer in FY2020 was Etihad Food Industries refinery in Iraq with 25% share in our total bulk oil sales. Other big customers include ADM, Sinopharm, and Cargill, taking 9%, 8% and 7% of our bulk oil sales volumes, respectively.

Up to 10% of crude sunflower oil produced on our plants is further refined and bottled. In FY2020, 62% of produced bottled oil was ex-ported, mostly to Europe, Middle East, EU, and China, both under our own brands and private labels. We have 35% share in total re-fined bottled sunflower oil export from Ukraine, supplying products to such international retail chains as METRO, Auchan, Walmart, Maxima and others.

38% of produced bottled oil was sold in Ukraine to 18 nationwide retailers and 30 regional distributors, comprising 86% and 14% of domestic sales, respectively, under well-recognized brands "Chumak", "Schedryi Dar", "Stozhar" and others.

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Our Infrastructure and Trading segment went through the significant transformation over last few years. We added new business lines (railcars and proprietary trading operations), divested numerous non-core assets (18 storage facilities, port assets in Ukraine, and 50% stake in Taman grain export terminal in Russia), and debottlenecked the core business line by constructing new grain transshipment terminal in the Chornomorsk port and two new highly efficient silos.

Kernel is #1 grain exporter from Ukraine and one of the largest from the Black Sea region. We are involved in buying grain from local farmers (including own farming division) and exporting it from Ukraine. In FY2020, we exported 7.9 million tons of grain from Ukraine, or 14% of the country's total grain export. We successfully navigate in this low-margin high-volume business by effectively combining the following pillars:

- Experienced procurement team of 122 professionals with country-wide presence and deep understanding of local trends and regional peculiarities;
- First-hand access to unique in Ukraine own infrastructure – the largest private silo network, the largest private fleet of grain rail-cars and the second largest deep-water grain transshipment capacities in ports;
- Prudent risk management: locking up the margins by selling grain through forward contracts in a similar time frame as when we purchase it from farmers on the spot market;
- Relationship with farmers managed through centralized CRM system and supported with numerous value-added initiatives. We are one of the largest in Ukraine providers of pre-crop financing to farmers, investing over USD 105 million in farmer loans for the harvest 2020 both for grain and sunflower seeds. With our Open Agribusiness initiative, we share our know-how and provide various services to 3rd-party farmers. Finally, we operate an advanced electronic document flow system which substantially simplifies paperwork for farmers and using which we purchased 2.3 million tons of grain and oilseeds in FY2020 (28% of total volumes).

Among the achievements in FY2020 in our Farming segment, we further increased the labor productivity, streamlined crop mix, and substantially progressed in the roll out of high-oleic sunflower seeds cultivation. We reached the highest ever crop yields for sunflower and wheat, which could not be possible without application of our best-in-class crop production technology.

Despite a rather challenging market environment in FY2020, grain prices managed to hold at decent levels. Overall, 19/20 wheat prices performed better than those of corn thanks to slightly tight world wheat supply and demand, while corn prospects remained somewhat heavy throughout the season.

For a detailed explanation of operating and financial performance for operations, please refer to the annual report of Kernel Group available at [kernel.ua](http://kernel.ua).



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### 2. Allocation of results

The Company's financial year as of 30 June 2020 ends with a profit of USD 387,949,304.07.

The board of directors of the Company intends to propose to the Annual General Meeting of the Shareholders of the Company the following allocation of this result, taking into account the annual dividends:

Profit as at 30 June 2020	USD	387,949,304.07
Result brought forward (before dividends)	USD	185,210,923.84
Allocation to legal reserve	USD	(5,518.99)
Dividends	USD	(21,007,808.00)
<b>To carry forward</b>	<b>USD</b>	<b>552,146,900.92</b>

3. The Company's business has developed normally during the financial year under review.

4. Details on corporate governance are available on the Company website <http://www.kernel.ua> and in the consolidated annual report of the Company for the year ended 30 June 2020, available at the Company website.

### 5. Principal risks and uncertainties

At Kernel Holding S.A., management defines risk as an event, action or lack of action, which can lead to non-achievement of the Company's objectives. As a result of the latest review cycle, the Board approved Top-10 strategic (business) and operational risks faced by the Group for FY2021 as listed below:

- Weak harvest in Ukraine;
- Low global soft commodities prices;
- COVID-19 related risks;
- Shortfall of proceeds from renewable energy sale;
- Trade position management issues;
- Fraudulent activities;
- Investment projects issues;
- Failure to maintain the integrity of the leasehold farmland bank;
- General IT and information security risks;
- Human capital risks.

Other risks identified by the Company's management include (but are not limited to):

- Increase in competition;
- Compliance with environmental standards
- A prolonged period of weak economic growth, either globally or in the Company's key markets;
- Economic policy, political, social, and legal risks and uncertainties in certain countries in which Kernel Holding S.A. operates;
- Any loss or diminution in the services of Mr. Andrii Verevskyi, Kernel Holding S.A.'s chairman of the Board of Directors;
- The risk that changes in the assumptions underlying the carrying value of certain assets, including those occurring as a result of adverse market conditions, could result in the impairment of tangible and intangible assets, including goodwill;
- The risk of fluctuations in the exchange rate of the Ukrainian hryvnia to the US dollar;

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## **Report of the board of directors to the shareholders' ordinary general meeting deliberating on the approval of the annual accounts to be held on 10 December 2020**

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### **6. Principal risks and uncertainties (continued)**

- The risk of disruption or limitation of natural gas or electricity supply;
- The risk of disruptions in Kernel Holding S.A.'s manufacturing operations;
- The risk of product liability claims;
- The risk of potential liabilities from investigations, litigation, and fines regarding antitrust matters;
- The risk that Kernel Holding S.A.'s governance and compliance processes may fail to prevent regulatory penalties or reputational harm, both at operating subsidiaries and in joint ventures; and
- The risk that Kernel Holding S.A.'s insurance policies may provide inadequate coverage.

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## 7. Board of Directors

The board of Directors is composed of eight Directors, of whom three are independent directors. All eight Directors were elected to the Board by the Shareholders at General Meetings of the Shareholders:

(1) Mr. Andrii Verevskyi, chairman of the board of directors, re-elected for a five-year term at the general meeting of shareholders held on 12 December 2016. Mr. Verevskyi founded the Group's business in 1995, holding various executive positions within the Group; presently, he oversees the strategic development and overall management of the Group.

(2) Mr. Andrzej Danilczuk, independent non-executive director, re-elected for a one-year term at the general meeting of shareholders held on 10 December 2019. Mr. Danilczuk is a senior executive with over 20 years' experience in business development, trading and marketing of agri-commodities.

(3) Mrs. Nathalie Bachich, independent non-executive director, elected for a one-year term at the general meeting of shareholders held on 10 December 2019. Mrs. Bachich has over 15 years of financial advisory services experience working in leading European financial institutions covering Western Europe, Asia and Central & Eastern Europe. Mrs. Bachich is British and is a graduate of St Catherine's College, Oxford.

(4) Mr. Sergei Shibaev, independent non-executive director, elected for a one-year term at the general meeting of shareholders held on 10 December 2019. Mr. Shibaev is a senior executive with broad international experience in finance and strategy acquired during a 30-year career in serving as a non-executive director chairing audit committees for the several leading corporations in Russia, Ukraine and Kazakhstan.

(5) Mr. Yevgen Osypov was appointed to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 10 December 2019. Mr. Osypov oversees overall management of the Agribusiness units of Kernel and is responsible for the execution of strategy.

(6) Ms. Anastasiia Usachova was re-elected to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 10 December 2019. Ms. Usachova has served the Group since 2003, and today oversees the Group's financial reporting, auditing, budgeting, financial planning and risk assessment.

(7) Ms. Viktoriia Lukianenko, chief legal officer of the Company, re-elected for a one-year term at the general meeting of shareholders held on 10 December 2019.

(8) Mr. Yuriy Kovalchuk was elected to the Board for a one-year term by the shareholders at the general meeting of the shareholders held on 10 December 2019. Mr. Kovalchuk oversees investor relations and new investment opportunities for the Group.

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### 8. Looking ahead:

For a detailed outlook for the financial year ending 30 June 2020, please refer to the annual report of the Group which is available on web-site [www.kernel.ua](http://www.kernel.ua).

There are subsequent events as disclosed in note 18.

### The Board of Directors

By:

\_\_\_\_\_  
**Mr. Andrii Verevskyi**

By:

\_\_\_\_\_  
**Mr. Andrzej Danilczuk**

By:

\_\_\_\_\_  
**Mrs. Nathalie Bachich**

By:

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**Mr. Sergei Shibaev**

By:

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**Mr. Yevgen Osypov**

By:

\_\_\_\_\_  
**Ms. Anastasiia Usachova**

By:

\_\_\_\_\_  
**Ms. Viktoriia Lukianenko**

By:

\_\_\_\_\_  
**Mr. Yuriy Kovalchuk**

To the Shareholders of  
Kernel Holding S.A.  
19, rue de Bitbourg  
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## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

### Report on the Audit of the annual accounts

#### Opinion

We have audited the annual accounts of Kernel Holding S.A. (the “Company”), which comprise the balance sheet as at June 30, 2020, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts give a true and fair view of the financial position of the Company as at June 30, 2020, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

#### Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under those Regulation, Law and standards are further described in the “Responsibilities of the “Réviseur d’Entreprises Agréé” for the Audit of the Annual accounts” section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of the audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Why the matter was determined to be a key audit matter

#### Impairment of Shares in affiliated undertakings

As of June 30, 2020, the carrying amount of Shares in affiliated undertakings amounted to USD 984.3 million (2019: USD 698.7 million). The Company has valued Shares in affiliated undertakings at the lower of the purchase price including the expenses incidental thereto or the market value. A value adjustment is recorded where the market value of the Investments is lower than the purchase price or nominal value, and also when it is considered to be a permanent difference (see Note 3 to the annual accounts).

The Company is testing annually Shares in affiliated undertakings for impairment. This annual impairment testing is significant to our audit because of the significance of the specific balance and the assumptions and estimates used when determining the value in use of those investments. A potential impairment of those investments can have a significant impact on the Company's financial position.

### Our response to the risk among others:

- We obtained an understanding of management's controls around the assessment of impairment of affiliated undertakings
- We obtained the impairment analysis prepared by management for all affiliated undertakings, and we assessed all the assumptions and estimates used in the specific analysis,
- We compared the historical cost of those affiliated undertakings to the respective net equity of the individual subsidiaries (or sub groups where applicable)
- In case, whereas the net equity of the individual subsidiary was below the historical cost of the affiliated undertaking we performed procedures to verify that the recoverable amount was still above the historical cost of the and there were no other indications of impairment.
- We considered the appropriateness of the related disclosures provided in annual accounts (Note 3 to the annual accounts).

## Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the Report of board of directors but does not include the annual accounts and our report of the "Réviseur d'Entreprises Agréé" thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

#### **Responsibilities of the Board of Directors and Those Charged with Governance for the annual accounts**

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Responsibilities of the "Réviseur d'Entreprises Agréé" for the Audit of the annual accounts**

The objectives of our audit are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

We have been appointed as "Réviseur d'Entreprises Agréé" by the General Meeting of the Shareholders on December 10, 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 9 years.



The Report of the board of directors is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, included in the Report of the board of directors as published on the Company's website <http://www.kernel.ua>, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the annual accounts and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee or equivalent.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014, on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

#### **Other matter**

The Corporate Governance Statement includes, when applicable, information required by Article 68ter paragraph (1) points a), b), e), f) and g) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Deloitte Audit, *Cabinet de Révision Agréé*



Marco Crosetto, *Réviseur d'Entreprises Agréé*  
Partner

October 2, 2020

**KERNEL HOLDING S.A.**

19, rue de Bitbourg  
L-1273 Luxembourg  
R.C.S. Luxembourg B 109173

## **Statement of the Board of Directors' responsibilities for the preparation and approval of annual accounts**

For the year ended 30 June 2020

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The Board of Directors is responsible for the preparation and fair presentation of the annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

We confirm that to the best of our knowledge and belief:

- The annual accounts of Kernel Holding S.A. (the 'Company') presented in this Annual Report and established in conformity with International Financial Reporting Standards as adopted by the European Union give a true and fair view of the balance sheet, profit and loss accounts for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies; and
- The Report of the Board of Directors includes a fair review of the development and performance of the business and position of the Company and the undertakings included, together with a description of the principal risks and uncertainties it faces.

2 October 2020

On behalf of the Board of Directors

**Andrii Verevskyi**

Chairman of the Board of Directors

**Anastasiia Usachova**

Director, Chief Financial Officer

**KERNEL HOLDING S.A.**

19, rue de Bitbourg  
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R.C.S. Luxembourg B 109173

**Balance sheet as at 30 June 2020**

<b>ASSETS</b>			
	<b>Notes</b>	<b>30.06.2020 USD</b>	<b>30.06.2019 USD</b>
<b>B. FORMATION EXPENSES</b>		<b>--</b>	<b>--</b>
<b>C. FIXED ASSETS</b>		<b>984,262,688.08</b>	<b>698,692,611.17</b>
III. Financial assets	<b>3</b>	<b>984,262,688.08</b>	<b>698,692,611.17</b>
1. Shares in affiliated undertakings		984,262,639.08	698,692,562.17
5. Investments held as fixed assets		49.00	49.00
<b>D. CURRENT ASSETS</b>		<b>961,494,415.64</b>	<b>536,664,286.73</b>
II. Debtors	<b>4</b>	<b>958,706,139.50</b>	<b>536,552,300.23</b>
1. Trade debtors		--	25,000.00
a) becoming due and payable within one year		--	25,000.00
2. Amounts owed by affiliated undertakings		847,674,700.10	528,824,477.72
a) becoming due and payable within one year		527,279,086.95	27,399,518.80
b) becoming due and payable after more than one year		320,395,613.15	501,424,958.92
4. Other debtors		111,031,439.40	7,702,822.51
a) becoming due and payable within one year		103,305,439.40	726,822.51
b) becoming due and payable after more than one year		7,726,000.00	6,976,000.00
III. Investment		<b>2,066,360.41</b>	<b>--</b>
3. Other Investments	<b>5</b>	2,066,360.41	--
IV. Cash at bank and in hand		721,915.73	111,986.50
<b>E. PREPAYMENTS</b>	<b>6</b>	<b>5,548,833.97</b>	<b>2,897,896.48</b>
<b>TOTAL ASSETS</b>		<b>1,951,305,937.69</b>	<b>1,238,254,794.38</b>

**Annual accounts for the year ended**

30 June 2020

The accompanying notes form an integral part of the annual accounts

**KERNEL HOLDING S.A.**

19, rue de Bitbourg  
L-1273 Luxembourg  
R.C.S. Luxembourg B 109173

**Balance sheet as at 30 June 2020**

<b>LIABILITIES</b>			
	<b>Notes</b>	<b>30.06.2020 USD</b>	<b>30.06.2019 USD</b>
<b>A. CAPITAL AND RESERVES</b>	<b>7</b>	<b>1,061,656,765.78</b>	<b>681,105,239.91</b>
I. Subscribed capital		2,218,928.64	2,163,740.10
II. Share premiums and similar premiums		507,069,043.22	493,514,201.96
IV. Reserves		216,374.01	216,374.01
1. Legal reserve		216,374.01	216,374.01
V. Profit or loss brought forward		185,210,923.84	175,946,315.36
VI. Profit or loss for the financial year		387,949,304.07	29,749,915.98
VII. Interim dividends		(21,007,808.00)	(20,485,307.50)
<b>B. PROVISIONS</b>	<b>8</b>	<b>34,047,279.06</b>	<b>31,871,723.82</b>
2. Provisions for taxation		---	---
3. Other provisions		34,047,279.06	31,871,723.82
<b>C. CREDITORS</b>	<b>9</b>	<b>855,272,125.71</b>	<b>522,244,730.78</b>
1. Debenture loans		822,225,068.32	518,229,166.67
b) Non convertible loans		822,225,068.32	518,229,166.67
i) becoming due and payable within one year		22,225,068.32	18,229,166.67
ii) becoming due and payable after more than one year		800,000,000.00	500,000,000.00
4. Trade creditors		798,640.79	553,644.80
a) becoming due and payable within one year		798,640.79	553,644.80
6. Amounts owed to affiliated undertakings		31,227,732.98	8,404.65
a) becoming due and payable within one year		31,227,732.98	8,404.65
8. Other creditors		1,020,683.62	3,453,514.66
a) tax authorities		989,391.11	389,153.43
b) social securities authorities		215.69	(746.13)
c) other creditors		31,076.82	3,065,107.36
i) becoming due and payable within one year		31,076.82	65,107.36
ii) becoming due and payable after more than one year		---	3,000,000.00
<b>D. DEFERRED INCOME</b>	<b>10</b>	<b>329,767.14</b>	<b>3,033,099.87</b>
<b>TOTAL LIABILITIES</b>		<b>1,951,305,937.69</b>	<b>1,238,254,794.38</b>

**Annual accounts for the year ended**

30 June 2020

The accompanying notes form an integral part of the annual accounts

**KERNEL HOLDING S.A.**

19, rue de Bitbourg  
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**Profit and loss account for the year ended 30 June 2020**

<b>PROFIT AND LOSS ACCOUNT</b>			
	<b>Notes</b>	<b>From 01/07/2019 to 30/06/2020</b>	<b>From 01/07/2018 to 30/06/2019</b>
		<b>USD</b>	<b>USD</b>
<b>4. OTHER OPERATING INCOME</b>	<b>3</b>	<b>398,946,196.78</b>	<b>2,973,093.55</b>
<b>5. RAW MATERIALS AND CONSUMABLES AND OTHER EXTERNAL EXPENSES</b>		<b>(7,539,907.59)</b>	<b>(5,204,620.90)</b>
b) Other external expenses	<b>11/14</b>	(7,539,907.59)	(5,204,620.90)
<b>6. STAFF COSTS</b>	<b>12</b>	<b>(4,517.25)</b>	<b>(4,283.54)</b>
a) Wages and salaries		(3,905.79)	(3,641.49)
b) Social security costs		(489.59)	(472.92)
c) Other staff costs		(121.87)	(169.13)
<b>8. OTHER OPERATING EXPENSES</b>	<b>3/13</b>	<b>(43,493,828.73)</b>	<b>(325,938.53)</b>
<b>9. INCOME FROM PARTICIPATING INTERESTS</b>		<b>21,875,151.76</b>	<b>28,624,000.00</b>
a) derived from affiliated undertakings	<b>3</b>	21,875,151.76	28,624,000.00
b) other income from participating interests		—	—
<b>11. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME</b>		<b>62,063,507.16</b>	<b>52,138,428.85</b>
a) derived from affiliated undertakings	<b>4</b>	62,017,808.80	52,116,107.89
b) other interest and similar income		45,698.36	22,320.96
<b>13. VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL ASSETS AND OF INVESTMENTS HELD AS CURRENT ASSETS</b>	<b>3</b>	<b>16,153,644.72</b>	<b>(3,825,543.29)</b>
<b>14. INTEREST PAYABLE AND SIMILAR EXPENSES</b>		<b>(59,946,596.40)</b>	<b>(44,739,832.48)</b>
b) other interest and similar expenses	<b>9</b>	(59,946,596.40)	(44,739,832.48)
<b>15. TAX ON PROFIT OR LOSS</b>	<b>4</b>	<b>(115,400.43)</b>	<b>—</b>
<b>16. PROFIT OR LOSS AFTER TAXATION</b>		<b>387,938,250.02</b>	<b>29,635,303.66</b>
<b>17. OTHER TAXES NOT SHOWN UNDER ITEMS 1 TO 16</b>		<b>11,054.05</b>	<b>114,612.32</b>
<b>18. PROFIT OR (LOSS) FOR THE FINANCIAL YEAR</b>		<b>387,949,304.07</b>	<b>29,749,915.98</b>

**Annual accounts for the year ended**

30 June 2020

The accompanying notes form an integral part of the annual accounts

## KERNEL HOLDING S.A.

19, rue de Bitbourg  
L-1273 Luxembourg  
R.C.S. Luxembourg B 109173

## Notes to the annual accounts as at 30 June 2020

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### Note 1 – General information

Kernel Holding S.A. (the “Company”) was incorporated on 15 June 2005 and organized under the laws of Luxembourg in the form of a “Société Anonyme” (“S.A.”) for an unlimited period of time.

Effective 12 April 2013, its registered office is established at 19, rue de Bitbourg, L-1273 Luxembourg.

The Company’s financial year starts on 1 July and ends on 30 June of each year.

The Company’s object is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies.

The Company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

It may open branches in Luxembourg and abroad. Furthermore, the Company may acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise.

It may also acquire, enhance and dispose of patents and licenses, as well as rights deriving therefrom or supplementing them.

In addition, the Company may acquire, manage, enhance and dispose of real estate located in Luxembourg or abroad.

The Company is the holding company for a group of entities which together form the Kernel Group. The subsidiaries of the Kernel Group own assets primarily in Ukraine and Russian Federation and operate across the agricultural value chain.

On the basis of the offering prospectus (the “Prospectus”) approved on 25 October 2007 by the Commission de Surveillance du Secteur Financier, shares in the Company were offered to investors in the offering consisting of a public offering in Poland and an international offering by way of private placements to selected institutional investors in certain jurisdictions outside of Poland.

On 23 November 2007, the Company was listed on the Warsaw Stock Exchange (“WSE”).

On 27 June 2008, an additional 5,400,000 ordinary bearer shares of the Company were admitted to trading on the main market of the WSE.

On 3 June 2010, the Company issued 4,450,000 new shares, thereby increasing the Company’s share capital by USD 117,506.70, to a total amount of USD 1,932,681.54. Following the issuance of new shares, Kernel’s share capital was divided into 73,191,000 shares without indication of a nominal value, giving right to 73,191,000 voting rights at the General Meeting of the Company.

On 5 January 2011, the Company issued 483,410 new shares without indication of a nominal value. All of the newly issued shares were subscribed to by a stock option beneficiary under the Management and Incentive Plan. The issued price was PLN 24 per share. As a result of the increase, the Company’s share capital was increased by an amount of USD 12,764.92 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value.

On 4 August 2011, the Company issued 6,009,000 new shares without indication of a nominal value. 5,400,000 newly issued shares have been subscribed by Namsen Limited, a company registered at 13, Agiou Prokopiou Street, Cyprus. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company’s management incentive plan. As a result of the increase, the Company’s share capital was set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value.

On 1 December 2016, the Company issued 1,017,820 new shares without indication of a nominal value. 439,410 newly issued shares have been subscribed by Crouston Investments Limited. 458,410 newly shares have been subscribed by Sayfon Investments Limited. 60,000 newly shares have been subscribed by Avalis Limited. 60,000 newly shares have been subscribed by Kopfer & Co. As a result of the increase, the Company’s share capital was increased by an amount of USD 26,876.55 and set at USD 2,130,996.66 divided into 80,701,230 shares without indication of a nominal value.

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### Annual accounts for the year ended

30 June 2020

## KERNEL HOLDING S.A.

19, rue de Bitbourg  
L-1273 Luxembourg  
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# Notes to the annual accounts as at 30 June 2020

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## Note 1 – General information (Continued)

On 9 June 2017, the Company issued 1,240,000 new shares without indication of a nominal value. 40,000 newly issued shares have been subscribed by Bright Stone Inc. 40,000 newly issued shares have been subscribed by NLG Group Inc. 270,000 newly issued shares have been subscribed by Sayfon Investments Limited. 120,000 newly issued shares have been subscribed by Crouston Investments Limited. 300,000 newly issued shares have been subscribed by Jailbait Investments Limited. 300,000 newly issued shares have been subscribed by Emmark Capital Ltd. 50,000 newly issued shares have been subscribed by Everest Solutions Ltd. 60,000 newly issued shares have been subscribed by Kopfer & Co Ltd. 60,000 newly issued shares have been subscribed by Avalis Limited. As a result of the increase, the Company's share capital was increased by an amount of USD 32,743.44 and set at USD 2,163,740.10 divided into 81,941,230 shares without indication of a nominal value.

On 19 December 2019, the Company issued 2,090,000 new shares without indication of a nominal value. 810,000 newly issued shares have been subscribed by Navagio Limited. 360,000 newly issued shares have been subscribed by Crouston Investments Limited. 300,000 newly issued shares have been subscribed by Jailbait Investments Limited. 180,000 newly issued shares have been subscribed by Kopfer & Co Ltd. 180,000 newly issued shares have been subscribed by Avalis Limited. 150,000 newly issued shares have been subscribed by Sungear Trade Limited. 60,000 newly issued shares have been subscribed by Bright Stone Inc. 50,000 newly issued shares have been subscribed by Everest Solutions Ltd. As a result of the increase, the Company's share capital was increased by an amount of USD 55,188.54 and set at USD 2,218,928.64 divided into 84,031,230 shares without indication of a nominal value.

As at 30 June 2020, the Company's shares are allocated as follows: 39.16% (2019: 39.93%) held by Namsen Limited, and 60.84% (2019: 60.07%) free-float.

The Company also prepares consolidated financial statements which are published on the basis of the law dated 10 August 1915, as amended.

## Note 2 – Significant accounting policies

### 2.1 General principles

These annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical cost convention. Accounting policies and valuation rules are, besides the ones laid down by the Law of 19 December 2002 and 10 December 2010, determined and applied by the Board of Directors.

The preparation of these annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise significant judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 2.2 Significant accounting policies

The following are the significant accounting policies and valuation rules adopted by the Company in the preparation of these annual accounts.

## Notes to the annual accounts as at 30 June 2020

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### Note 2 – Significant accounting policies (Continued)

#### 2.2.1 Financial assets

##### *Historical cost model*

Shares in affiliated undertakings and shares in undertakings with participating interests are valued at the lower of the purchase price including the expenses incidental thereto or the market value. Investments held as fixed assets ("Investments") shown under "Financial assets" are recorded at their nominal value. A value adjustment is recorded where the market value of the Investments is lower than the purchase price or nominal value, and also when it is considered to be a permanent difference. The probable market or recovery value estimated with due care and in good faith by the Board of Directors, without set off of individual gains and losses in value, for unlisted securities that are not traded on another regulated market.

Market value/recovery value corresponds to:

- The last available quote on the valuation day for securities listed on a stock exchange or dealt in on another regulated market;
- The probable market or recovery value estimated with care and in good faith by the Board of Directors, without compensation between individual gains and losses in value, for unlisted securities or securities that are not dealt in on another regulated market, for securities listed on a stock exchange or dealt in on another regulated market where the latest quote is not representative as well as for the loans shown under "Assets".

#### 2.2.2 Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

#### 2.2.3 Investments

Transferable securities are valued at fair value. The fair value corresponds to:

- For securities listed on a stock exchange or traded on another regulated market, the fair value is based on the last available quote.
- For unlisted securities or securities that are not traded on another regulated market or where the last quote is not representative, the fair value is based from the most probable market value estimated with due care and in good faith by the Board of Directors.

#### 2.2.4 Cash at bank and in hand

Cash is valued at its nominal value.

#### 2.2.5 Foreign currency translation

The Company maintains its books and records in United-States dollar ("USD"). The balance sheet and the profit and loss account are expressed in USD.

Transactions expressed in currencies other than USD are translated into USD using the exchange rates prevailing at the dates of the transactions.

Financial assets expressed in currencies other than USD are translated into USD at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at their historical exchange rates.

Cash at bank and in hand are translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.



## Notes to the annual accounts as at 30 June 2020

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### Note 2 – Significant accounting policies (Continued)

#### 2.2.5 Foreign currency translation (Continued)

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historical exchange rate or the value determined on the basis of the exchange rates effective at the balance sheet date. The unrealized exchange losses are recorded in the profit and loss account. The realized exchange gains are recorded in the profit and loss account at the moment of their realization.

Where there is an economic link between an asset and a liability, these are valued in total according to the method described above and the net unrealized loss is recorded in the profit and loss account and the net unrealized gains are not recognized.

Assets and liabilities items which are fair valued are converted at the exchange rates effective at the balance sheet date. Foreign exchange differences on those items which are accounted at fair value are recognized in the profit and loss account or revaluation reserves with the change in fair value.

#### 2.2.6 Prepayments

Prepayments include expenditure items incurred during the financial year but relating to a subsequent financial year.

Loan issue costs included as part of prepayments is capitalized and amortized to the profit and loss account over the period of the related loan.

#### 2.2.7 Provisions

Provisions are intended to cover losses or debts which originate in the financial year under review or in the previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date they will arise.

Provisions may also be created to cover charges which originate in the financial year under review or in a previous financial year, the nature of which is clearly defined and which at the date of the balance sheet are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

#### **Provisions for taxation**

Current tax provision:

Provisions for taxation corresponding to the tax liability estimated by the Company for the financial years for which the tax return has not yet been filed are recorded under the caption "Creditors becoming due and payable within one year". The advance payments are shown in the assets of the balance sheet under the "Debtors becoming due and payable within one year" item.

#### 2.2.8 Creditors

Debts are valued at their reimbursement value. Where the amount repayable on account is greater than the amount received, the difference is shown in the profit and loss account when the debt is issued.

#### 2.2.9 Deferred income

Deferred income includes income items received during the financial year but relating to a subsequent financial period.

**KERNEL HOLDING S.A.**

19, rue de Bitbourg  
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**Notes to the annual accounts as at 30 June 2020****Note 3 – Financial assets**

For assets following the historical cost model the movements of the year are as follows:

	Share in affiliated undertakings USD	Investments held as fixed assets USD	Total 2020 USD
<b>Gross book value – opening balance</b>	<b>718,357,169.98</b>	<b>49.00</b>	<b>718,357,218.98</b>
Additions for the year	411,273,675.36	390,000.00	411,663,675.36
Disposals for the year	(142,247,243.17)	-	(142,247,243.17)
Transfers for the year	390,000.00	(390,000.00)	-
<b>Gross book value – closing balance</b>	<b>987,773,602.17</b>	<b>49.00</b>	<b>987,773,651.17</b>
<b>Accumulated value adjustment – opening balance</b>	<b>(19,664,607.81)</b>	<b>-</b>	<b>(19,664,607.81)</b>
Allocation for the year	(184,390.24)	-	(184,390.24)
Reversals for the year	16,338,034.96	-	16,338,034.96
Transfers for the year	-	-	-
<b>Accumulated value adjustment – closing balance</b>	<b>(3,510,963.09)</b>	<b>-</b>	<b>(3,510,963.09)</b>
<b>Net book value – opening balance</b>	<b>698,692,562.17</b>	<b>49.00</b>	<b>698,692,611.17</b>
<b>Net book value – closing balance</b>	<b>984,262,639.08</b>	<b>49.00</b>	<b>984,262,688.08</b>

On 31 July 2019, the Company increased its participation in Avere Commodities S.A. after entering into a share purchase agreement to purchase an additional holding in the company for CHF 12.500,00 (equivalent to USD 12,624.54).

On 29 November 2019, the Company has provided its affiliated undertaking Taman Grain Terminal Holdings Limited with a capital contribution for an amount of USD 2,630,000.00.

On 6 December 2019, the Company entered into a participatory interest sale and purchase agreement, whereby it acquired a participation holding in Prydniprovskiy Krai Agricultural LLC for an amount of USD 1,573,781.75.

On 20 December 2019, the Company has increased its participation holding in Etrecom Investments Ltd by an amount of EUR 13,482,300.00 (equivalent to USD 15,000,000.00) which was set-off against the loan principal payable to the Company.

On 3 January 2020, the Company has acquired full ownership of Starokonstantynivskiy OEZ LLC for an amount of USD 34,890,038.32.

On 14 January 2020, the Company has acquired 1.51% participation holding in Enselco Agro LLC for an amount of UAH 143,886.00 (equivalent to USD 5,184.15).

On 27 January 2020, the Company disposed of 10% participation holding in Prydniprovskiy Krai Agricultural LLC amounting to USD 393,778.72 for a consideration price of USD 347,948.78.

**Annual accounts for the year ended**

30 June 2020

## KERNEL HOLDING S.A.

19, rue de Bitbourg  
L-1273 Luxembourg  
R.C.S. Luxembourg B 109173

## Notes to the annual accounts as at 30 June 2020

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### Note 3 – Financial assets (continued)

On 11 February 2020, the Company disposed of 82.76% participation holding in Starokonstantynivskiy OEZ LLC corresponding to a net book value of USD 28,874,587.59 for a consideration price of USD 29,000,000.00.

On 18 March 2020, the Company, as a “Seller”, entered into a ‘Sale and Purchase’ agreement whereby it agreed to dispose of its participation holding in Taman Grain Terminal Holdings Limited amounting to USD 97,536,807.25.

On 20 March 2020, the Company, as the absorbing company, merged with its affiliated undertaking Jerste S.à r.l. Out of this merger, the Company recognized a financial gain of USD 392,420,950.73. Moreover, the Company absorbed the following participation holdings:

- 99.99% holding in Chorna Kamianka LLC with a net book value of USD 6,215,549.01
- 99.99% holding in Agroservis LLC with a net book value of USD 1,170,213.96
- 99.99% holding in Ahrofirma Khliborob LLC with a net book value of USD 11,554,382.33
- 99.99% holding in Hovtva Agricultural LLC with a net book value of USD 4,478,278.36
- 99.99% holding in Enselco Agro LLC with a net book value of USD 737,012.21 bringing its total participation holding in the affiliated undertaking to 99.99% amounting to USD 742,196.36
- 99.99% holding in Urozhai Agricultural LLC with a net book value of USD 2,740,328.51
- 100% holding in Druzhba-Nova Agricultural LLC with a net book value of USD 76,452,610.43
- 99.93% holding in Agropolis LLC with a net book value of USD 346,464.80
- 65.08% holding in Cherkaskiy Public Joint Stock Company with a net book value of USD 680,010.69
- 54.77% holding in Prydniprovskiy Krai Agricultural LLC with a net book value of USD 6,332,085.23 bringing its total participation holding in the affiliated undertaking to 89.99% amounting to USD 7,512,088.26
- 99.99% holding in Ahrofirma Zoria LLC with a net book value of USD 560,468.73
- 99.97% holding in Mriia Agricultural LLC with a net book value of USD 9,361,531.52
- 100% holding in Ahro Lohistyka Ukraina LLC with a net book value of USD 6,000.00
- 87.27% holding in Kernel Capital LLC with a net book value of USD 236,527,109.82 bringing its total participation holding in the affiliated undertaking to 99.97% amounting to USD 354,283,302.49
- 8.70% holding in Ukragrobusiness LLC with a net book value of USD 1.00 bringing its total participation holding in the affiliated undertaking to 100% amounting to USD 1.00
- 0.05% holding in Ahro Invest Ukraina LLC with a net book value of USD 390,000.00

On 29 May 2020, the Company's affiliated undertakings ‘Ahrofirma Zoria LLC’ and ‘Ahro Invest Ukraina LLC’ have merged with the absorbing entity ‘Ahrofirma Khliborob LLC’. As a result of this merger, the net book value of ‘Ahro Invest Ukraina LLC’ amounting to USD 390,000.00 has been transferred to ‘Share in affiliated undertakings’.

As at 30 June 2020, considering the financial situation of some subsidiaries, the management decided to record the following impairments and reversals of value adjustment:

- USD 169,483.30 in relation to its participation held in Bilovodskiy Kombinat Khliboprodyktiv reducing the net book value of investment from USD 4,198,809.70 to USD 4,029,326.40.
- USD 12,624.54 in relation to its participation held in Avere Commodities S.A., fully impairing the value of the investment.
- USD 2,282.40 in relation to its participation held in Filstar Limited, fully impairing the value of the investment.
- USD 896,416.35 in relation to its participation Ukragrobusiness LLC has been reversed considering the net assets of the subsidiary.
- USD 14,911,618,61 in relation to its participation Trading Company Russian Oils LLC has been reversed considering that the participation has been sold during the financial year.
- USD 530,000.00 in relation to its participation Trading Company Russian Oils Don LLC has been reversed considering that the participation has been sold during the financial year.

# Notes to the Annual accounts for the year ended 30 June 2020

## Note 3 – Financial assets (continued)

Undertakings in which the Company holds a percentage in their share capital or in which it is a general partner are as follows:

Name of undertakings	Registered office	Ownership %	Last balance sheet date	Currency	Net equity at the balance sheet date (unaudited)	Currency	(Loss)/Profit the last financial year (unaudited)	Currency	Net Book Value
Inerco Trade S.A.	Rue Jules Gachet 9, CH1260 Nyon, Switzerland	100.00%	30.06.2020	USD	\$ 201,923,000.00	USD	\$ 46,142,906.00	USD	\$ 3,532,673.50
Kernel Capital LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	99.97%	30.06.2020	USD	\$ 540,932,170.24	USD	\$ 11,000.00	USD	\$ 354,283,302.49
Kernel Trade LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	15.87%	30.06.2020	USD	\$ 85,570,574.46	USD	\$ 92,847,000.00	USD	\$ 231,867,105.22
Ukragrobusiness LLC	3 Tarasa Shevchenka lane, Kyiv, 01001 Ukraine	100.00%	30.06.2020	USD	\$ 181,810,000.00	USD	\$ (3,000.00)	USD	\$ 896,417.35
Estron Corporation Ltd	29A, Annis Komninis, P.C., 1061 Nicosia, Cyprus	100.00%	30.06.2020	USD	\$ 3,959,373.25	USD	\$ (13,318,000.00)	USD	\$ 97,526,715.48
Etrecom Investments LTD	13, Agiou Prokopiou, 2406 Egkomi Cyprus	100.00%	30.06.2020	USD	\$ 174,559,245.16	USD	\$ (34,618,000.00)	USD	\$ 163,901,524.95
Bilovodskyi Kombinat Khliboprodyktiv	2, Bilovodska Street, Romny district, Sumy region, Bilovod village, 42065, Ukraine	91.12%	30.06.2020	USD	\$ 4,029,326.40	USD	\$ 4,000.00	USD	\$ 4,029,326.40
Avere Commodities SA	15 bis Rue des Alpes, 1201 Geneva, Switzerland	60.00%	30.06.2020	USD	\$ (8,079,400.00)	USD	\$ 14,346,000.00	USD	\$ -
Fistar Limited	Prosfigon, 4, Agia Varvara, 2560, Nicosia, Cyprus	100.00%	30.06.2020	USD	\$ (20,010.00)	USD	\$ (10,000.00)	USD	\$ -
Prydniprovskiy Krai ALLC	52/3 Obuhova str, Zolotonosha, Cherkas'ka region, 19700 Ukraine	90.00%	30.06.2020	USD	\$ 54,910,195.98	USD	\$ (1,315,000.00)	USD	\$ 7,512,088.26
Chorna Kamianka LLC	20144, Cherkasy region, Mankivsky district, Pominik village, STREET Molodizna, house 1	99.99%	30.06.2020	USD	\$ -	USD	\$ -	USD	\$ 6,215,549.01
Agroservice LLC	66410, Odessa region, Ananyev district, village Stallions, STREET PRIVOKZALNA, building 4	99.99%	30.06.2020	USD	\$ -	USD	\$ -	USD	\$ 1,170,213.96

Sub-total \$ 870,934,916.62

# Notes to the Annual accounts for the year ended 30 June 2020

## Note 3 – Financial assets (continued)

Name of undertakings	Registered office	Ownership %	Last balance sheet date	Currency	Net equity at the balance sheet date (unaudited)	Currency	(Loss)/Profit the last financial year (unaudited)	Currency	Net Book Value
Ahrofirma Khliborob LLC	Nalyvayka, Holovanivs'kyy district, Kirovohrads'ka region, 26512 Ukraine	99.99%	30.06.2020	USD	\$ 74,424,789.90	USD	\$ 19,127,000.00	USD	\$ 12,504,851.06
Hovtva Agricultural LLC	38400, Poltava oblast, Reshetilovsky district, Reshetilovka city, POLTAVSKA STREET, building 96	99.99%	30.06.2020	USD	\$ 39,492,000.00	USD	\$ 12,461,000.00	USD	\$ 4,478,278.36
Enselco Agro LLC	59 Tsentral'na str, Sakhnivtsi, Starokostiantynivs'kyy district, Khmelnytskyi region, 31134 Ukraine	99.99%	30.06.2020	USD	\$ 78,903,861.50	USD	\$ 25,685,000.00	USD	\$ 742,196.36
Urozhai Agricultural LLC	26543, Kirovogradoblast, Golovanivskiydistrict, the village Moldovka	99.99%	30.06.2020	USD	\$ -	USD	\$ -	USD	\$ 2,740,328.51
Druzhba-Nova Agricultural LLC	59 Komarova str., Varva, Varvynskyi district, Chernihiv region, 17600 Ukraine	100.00%	30.06.2020	USD	\$ 133,599,576.77	USD	\$ 24,293,000.00	USD	\$ 76,452,610.43
Agropolis LLC	1 Ivana Franka str, Zavods'ke, Chortkivs'kyy district, Ternopil's'ka region, 48523 Ukraine	99.93%	30.06.2020	USD	\$ 11,818,721.10	USD	\$ 5,901,000.00	USD	\$ 346,464.80
Cherkaskyi Public Joint Stock Company	Retsyukivshchyna, Drabivs'kyy district, Cherkas'ka region, 19836 Ukraine	65.08%	30.06.2020	USD	\$ 3,937,267.40	USD	\$ 838,000.00	USD	\$ 680,010.69
Mriia Agricultural LLC	Petrivka, Krasnohrads'kyy district, Kharkivs'ka region, 63340 Ukraine	99.97%	30.06.2020	USD	\$ 18,127,560.10	USD	\$ (1,539,000.00)	USD	\$ 9,361,531.52
Ahro Lohistyka Ukraina LLC	24 Pavlenkivska square, Poltava, Poltava region, 36014 Ukraine	100.00%	30.06.2020	USD	\$ 9,908,000.00	USD	\$ 1,069,000.00	USD	\$ 6,000.00
Starokonstantynivskiy OEZ LLC	31100, Khmelnytskyi oblast, Starokostiantyniv city, VESNYANSKE SHOSE STREET, building 5	99.99%	30.06.2020	USD	\$ (486,701.96)	USD	\$ (2,034,000.00)	USD	\$ 6,015,450.73
JV TransBulkTerminal LLC	Ukraine, 68000, Odesskaya district, city Illichivsk, 58, Sukhomlinskaya str.	<0.01%	30.06.2020	USD	\$ 63.28	USD	\$ 692,000.00	USD	\$ 49.00

Sub-total \$ 113,327,771.46

Total **\$ 984,262,688.08**

## Notes to the annual accounts for the year ended 30 June 2020

### Note 4 – Debtors

Debtors are mainly composed of:

	becoming due and payable within one year USD	becoming due and payable after more than one year USD	Total 30.06.2020 USD	Total 30.06.2019 USD
<b>Amounts owed by affiliated undertakings</b>	<b>527,279,086.95</b>	<b>320,395,613.15</b>	<b>847,674,700.10</b>	<b>528,824,477.72</b>
Loan to affiliated undertakings (direct shareholding)	208,995,177.15	320,395,613.15	529,390,790.30	198,595,192.61
Loan to affiliated undertakings (indirect shareholding)	317,976,137.48	---	317,976,137.48	329,481,512.79
Current receivable from affiliated undertakings (direct shareholding)	62,218.38	---	62,218.38	502,218.38
Current receivable from affiliated undertakings (indirect shareholding)	245,553.94	---	245,553.94	245,553.94
<b>Trade debtors</b>	<b>---</b>	<b>---</b>	<b>---</b>	<b>25,000.00</b>
Receivable - Thompson Coburn	---	---	---	25,000.00
<b>Other debtors</b>	<b>103,305,439.40</b>	<b>7,726,000.00</b>	<b>111,031,439.40</b>	<b>7,702,822.51</b>
Receivable - Khmelnytskhhleboproduct - 24,9% *	---	3,124,794.37	3,124,794.37	3,124,794.37
Receivable - Stiomi - Holding 24,9% *	---	2,851,205.63	2,851,205.63	2,851,205.63
Receivable from Starokonstantynivskyi	29,000,000.00	---	29,000,000.00	---
Contribution advances to Transgrainterminal	36,000,000.00	---	36,000,000.00	---
Contribution advances to Prydniprovskyi Zavod LL	37,000,000.00	---	37,000,000.00	---
Loan to third party	3,986.31	1,750,000.00	1,753,986.31	1,000,000.00
VAT receivable	1,284,611.35	---	1,284,611.35	573,948.20
Advance Corporate Income Tax 2016	---	---	---	---
Advance Net Wealth Tax 2017	---	---	---	---
Advance Net Wealth Tax 2018	---	---	---	---
Advance Net Wealth Tax 2020	5,390.39	---	5,390.39	---
Receivable from third party	11,451.35	---	11,451.35	152,874.31
<b>Total</b>	<b>630,584,526.35</b>	<b>328,121,613.15</b>	<b>958,706,139.50</b>	<b>536,552,300.23</b>

## Notes to the annual accounts for the year ended 30 June 2020

### Note 4 – Debtors (continued)

Loans to affiliated undertakings (direct shareholding)	Interest Rate %	Maturity	Currency	Interest Income for the year ending 30.06.20	Accrued Interest 30.06.20	Outstanding Principal 30.06.20	Accrued Interest 30.06.19	Outstanding Principal 30.06.19
Kernel Trade LLC (Contract 1)	8.75% *	31/03/2021	USD	1,689,737.10	551,250.00	18,900,000.00	619,091.60	18,900,000.00
Kernel Trade LLC (Contract 2)	8.75% *	31/03/2021	USD	2,226,161.57	726,250.00	24,900,000.00	815,628.45	24,900,000.00
Kernel Trade LLC (Contract 3)	8.75% *	31/03/2021	USD	2,226,161.57	726,250.00	24,900,000.00	815,628.45	24,900,000.00
Kernel Trade LLC (Contract 4)	8.75% *	31/03/2021	USD	2,226,161.58	726,250.00	24,900,000.00	1,003,573.66	24,900,000.00
Kernel Trade LLC (Contract 5)	8.75% *	31/03/2021	USD	1,326,402.28	431,666.66	14,800,000.00	593,584.68	14,800,000.00
Kernel Trade LLC (Contract 7)	8.75% *	31/03/2021	USD	616,888.14	201,250.00	6,900,000.00	278,642.18	6,900,000.00
Kernel Trade LLC - Credit Line	7.50%	15/10/2021	USD	7,886,177.74	5,578,169.20	149,568,493.15	---	---
Avere Commodities S.A.	5.00%	31/12/2020	USD	1,476,388.65	3,065,893.98	16,462,677.22	1,589,505.32	29,462,677.22
Etrecom Investment Limited	9.80%	31/12/2020	USD	227,049.37	1,321,908.62	2,310,500.00	1,094,859.25	2,310,500.00
Etrecom Investment Limited	6.80%	31/12/2022	USD	1,851,835.63	1,851,835.63	35,000,000.00	---	---
Inerco Trade S.A. (#1)	8.75%	31/12/2020	USD	4,031,360.78	732,977.39	57,404,831.20	2,388,656.80	42,322,845.00
Inerco Trade S.A. (#17/10)	6.50%	31/12/2022	USD	4,197,151.51	1,014,694.80	87,660,000.00	---	---
Inerco Trade S.A. (#10/12)	6.50%	31/05/2023	USD	1,252,010.44	488,595.20	42,210,000.00	---	---
Inerco Trade S.A. (#19/03)	1.25%	31/12/2021	EUR	100,177.25	100,177.25	5,957,120.00	---	---
				<b>31,333,663.61</b>	<b>17,517,168.73</b>	<b>511,873,621.57</b>	<b>9,199,170.39</b>	<b>189,396,022.22</b>

Loans to affiliated undertakings (indirect shareholding)	Interest Rate %	Maturity	Currency	Interest Income for the year ending 30.06.20	Accrued Interest 30.06.20	Outstanding Principal 30.06.20	Accrued Interest 30.06.19	Outstanding Principal 30.06.19
Avere Commodities Asia Pte. Ltd.	5.00%	31/12/2020	USD	---	41,479.46	---	41,479.46	---
Restomon Limited (Inerco)	9.80%	31/12/2020	USD	17,575,634.93	3,098,386.42	189,178,829.96	17,411,096.63	177,178,829.96
Restomon Limited (Jerste)	9.80%	31/12/2020	USD	13,009,263.69	2,024,864.52	123,632,577.12	---	134,850,106.74
				<b>30,584,898.62</b>	<b>5,164,730.40</b>	<b>312,811,407.08</b>	<b>17,452,576.09</b>	<b>312,028,936.70</b>

## Notes to the annual accounts for the year ended 30 June 2020

### Note 4 – Debtors (continued)

Loan to third party	Interest Rate %	Maturity	Currency	Interest Income for the year ending 30.06.20	Accrued Interest 30.06.20	Outstanding Principal 30.06.20	Accrued Interest 30.06.19	Outstanding Principal 30.06.19
Emmark Capital	9.50%	20/12/2023	USD	95,260.26	---	1,000,000.00	---	1,000,000.00
Emmark Capital	2.00%	31/03/2022	USD	3,986.31	3,986.31	750,000.00	---	---
				<b>99,246.57</b>	<b>3,986.31</b>	<b>1,750,000.00</b>	<b>---</b>	<b>1,000,000.00</b>

#### Loans to affiliated undertakings (direct shareholding)

##### Kernel Trade LLC (Contract 1)

\* On 1 September 2019, the interest rate applicable on this loan agreement has been amended to 8,75% from the previous 9,80% rate.

During the financial year, the Company has received, aggregate repayments for loan accrued interest amounting to USD 1,757,578.64.

As at 30 June 2020 the outstanding loan balance is that of USD 18,900,000.00 and the interest income for the year amounted to USD 1,689,737.10.

##### Kernel Trade LLC (Contract 2)

\* On 1 September 2019, the interest rate applicable on this loan agreement has been amended to 8,75% from the previous 9,80% rate.

During the financial year, the Company has received, aggregate repayments for loan accrued interest amounting to USD 2,315,540.05.

As at 30 June 2020 the outstanding loan balance is that of USD 24,900,000.00 and the interest income for the year amounted to USD 2.226,161.57.



## Notes to the annual accounts for the year ended 30 June 2020

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### Note 4 – Debtors (continued)

#### Kernel Trade LLC (Contract 3)

\* On 1 September 2019, the interest rate applicable on this loan agreement has been amended to 8,75% from the previous 9,80% rate.

During the financial year, the Company has received, aggregate repayments for loan accrued interest amounting to USD 2,315,540.05.

As at 30 June 2020 the outstanding loan balance is that of USD 24,900,000.00 and the interest income for the year amounted to USD 2.226,161.57.

#### Kernel Trade LLC (Contract 4)

\* On 1 September 2019, the interest rate applicable on this loan agreement has been amended to 8,75% from the previous 9,80% rate.

During the financial year, the Company has received, aggregate repayments for loan accrued interest amounting to USD 2,503,485.26.

As at 30 June 2020 the outstanding loan balance is that of USD 24,900,000.00 and the interest income for the year amounted to USD 2.226,161.58.

#### Kernel Trade LLC (Contract 5)

\* On 1 September 2019, the interest rate applicable on this loan agreement has been amended to 8,75% from the previous 9,80% rate.

During the financial year, the Company has received, aggregate repayments for loan accrued interest amounting to USD 1,488,320.30.

As at 30 June 2020 the outstanding loan balance is that of USD 14,800,000.00 and the interest income for the year amounted to USD 1,326,402.28.

#### Kernel Trade LLC (Contract 7)

\* On 1 September 2019, the interest rate applicable on this loan agreement has been amended to 8,75% from the previous 9,80% rate.

During the financial year, the Company has received, aggregate repayments for loan accrued interest amounting to USD 694,280.33.

As at 30 June 2020 the outstanding loan balance is that of USD 6,900,000.00 and the interest income for the year amounted to USD 616,888.14.

## Notes to the annual accounts for the year ended 30 June 2020

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### Note 4 – Debtors (continued)

#### Kernel Trade LLC – Credit Line

On 16 October 2019, the Company, as a “Lender”, entered into a new credit-line agreement with Kernel Trade LLC. for an amount of USD 150,000,000.00.

During the financial year, the Company received loan principal repayments for an aggregate amount of USD 431,506.85 and accrued interest repayments for an aggregate amount of USD 2,308,008.54. On the accrued interest repayment, the Company has incurred a 5% withholding tax amounting to USD 115,400.43.

As at 30 June 2020 the outstanding loan balance is that of USD 149,568,493.15 and the interest income for the year amounted to USD 7,886,177.74.

#### Avere Commodities S.A.

During the financial year, the Company made advances for an aggregate amount of USD 15,000,000.00 and an aggregate amount of USD 28,000,000.00 was repaid back to the Company.

#### Etrecom Investment Limited

On 17 October 2019, the Company, as a “Lender”, entered into a new loan agreement with Etrecom Investment Limited for an amount of USD 50,000,000.00. During the financial year, the Company has received loan principal repayments for an aggregate amount of USD 15,000,000.00.

#### Inerco Trade S.A. (#1)

During the financial year, the Company made advances for an aggregate amount of USD 47,515,000.00, out of which an aggregate amount of USD 32,433,013.80 was repaid back to the Company. Also during the year, an aggregate amount of USD 5,687,039.88 was received as accrued interest repayment.

#### Inerco Trade S.A. (#17/10)

On 17 October 2019, the Company, as a “Lender”, entered into a new loan agreement “#17/10” with Inerco Trade S.A. for an amount of up to USD 100,000,000.00. During the financial year, the Company made advances for an aggregate amount of USD 97,660,000.00 out of which USD 10,000,000.00 were repaid back to the Company. Also during the year, the Company received loan accrued interest repayments for an aggregate amount of USD 3,182,456.71.

#### Inerco Trade S.A. (#10/12)

On 10 December 2019, the Company, as a “Lender”, entered into a new loan agreement “#10/12” with Inerco Trade S.A. for an amount of up to USD 100,000,000.00. During the financial year, the Company made advances for an aggregate amount of USD 45,210,000.00 out of which USD 3,000,000.00 were repaid back to the Company. Also during the year, the Company received loan accrued interest repayments for an aggregate amount of USD 763,415.21.

#### Inerco Trade S.A. (#19/03)

On 19 March 2020, the Company, as a “Lender”, entered into a new loan agreement “#19/13” with Inerco Trade S.A. for an amount of EUR 61,000,000.00 (USD 65,886,100.00). During the financial year, the Company received loan repayments for an aggregate amount of EUR 55,139,289.91 (USD 59,928,980.00).

## Notes to the annual accounts for the year ended 30 June 2020

### Note 4 – Debtors (continued)

#### Restomon Limited (Jerste)

During the financial year, the Company has received loan principal repayments for an aggregate amount of USD 11,217,529.62, out of which USD 9,217,529.62 was a set-off against the dividend distributed to the shareholders. In addition, the Company also received interest payments of an aggregate amount of USD 8,376,326.70.

#### Restomon Limited (Inerco)

During the financial year, the Company made advances for an aggregate amount of USD 12,000,000.00. The Company received loan interest payments of an aggregate amount of USD 31,888,345.14.

#### **Loan to third party**

#### Emmark Capital Ltd.

On 26 March 2020, the Company, as a “Lender”, entered into a loan agreement with Emmark Capital Ltd for an amount of USD 750,000.00.

### Note 5 – Investments

Investments becoming due and payable within one year are composed of the following:

	30.06.2020 USD	30.06.2019 USD
<b>Non-convertible loans</b>		
Eurobonds - Guaranteed notes (Principal amount)	1,990,308.33	—
Eurobonds - Guaranteed notes (Accrued interest)	76,052.08	—
<b>Total</b>	<b>2,066,360.41</b>	<b>—</b>

#### **Non-convertible loans**

On 27 April 2020, the Company has purchased in its own name, 1,000 notes for an amount of USD 971,145.83, on the Irish stock exchange with ISIN code XS1533923238. The notes bear interest at a rate of 8.75% and will mature on 31 January 2022.

On 4 May 2020, the Company purchased 1,100 similar additional notes for an amount of USD 1,064,662.50.

The interest income on the guaranteed notes as at 30 June 2020 amounts to USD 30,552.08.

## Notes to the annual accounts for the year ended 30 June 2020

### Note 6 – Prepayments

Prepayments are composed of:

	30.06.2020 USD	30.06.2019 USD
Eurobonds issuance fees	3,119,624.77	3,119,624.77
Eurobonds issuance fees - Amortisation	(2,131,743.62)	(1,507,818.65)
Eurobonds repayment premium	2,480,000.00	2,480,000.00
Eurobonds repayment premium - Amortisation	(1,694,666.67)	(1,198,666.67)
Issuance Cost/Discount - Eurobonds (\$300m)	4,234,732.33	---
Issuance Cost/Discount - Amortisation	(463,719.08)	---
Deferred Charges	4,606.24	4,757.03
<b>Total</b>	<b>5,548,833.97</b>	<b>2,897,896.48</b>

The above prepayments originate mainly from the issuance by the Company of new bonds. Please refer to note 9.

### Note 7 – Capital and Reserves

	Subscribed Capital USD	Share premiums and similar premiums USD	Legal reserve USD	Profit or loss brought forward USD	Result for the financial year USD	Interim Dividend USD	Total USD
<b>As at 30 June 2019</b>	<b>2,163,740.10</b>	<b>493,514,201.96</b>	<b>216,374.01</b>	<b>175,946,315.36</b>	<b>29,749,915.98</b>	<b>(20,485,307.50)</b>	<b>681,105,239.91</b>
Movements for the year:							
• Issue of additional share capital	55,188.54	13,554,841.26	---	---	---	---	13,610,029.80
• Allocation of prior year's result	---	---	---	9,264,608.48	(29,749,915.98)	20,485,307.50	---
• Profit for the year	---	---	---	---	387,949,304.07	---	387,949,304.07
• Dividend payments / allocation	---	---	---	---	---	(21,007,808.00)	(21,007,808.00)
<b>As at 30 June 2020</b>	<b>2,218,928.64</b>	<b>507,069,043.22</b>	<b>216,374.01</b>	<b>185,210,923.84</b>	<b>387,949,304.07</b>	<b>(21,007,808.00)</b>	<b>1,061,656,765.78</b>

The allocation of prior year's results was approved by the General Shareholders' Meeting of 10 December 2019.

#### *Subscribed capital*

On 19 December 2019, the Company issued 2,090,000 new shares at nominal value. As a result of the increase, the Company's share capital was increased by an amount of USD 55,188.54.

The Company's share capital as at 30 June 2020 amounts to USD 2,218,928.64 divided into 84,031,230 shares without indication of a nominal value (30 June 2019: USD 2,163,740.10).

## Notes to the annual accounts for the year ended 30 June 2020

### Note 7 – Capital and Reserves (continued)

#### *Share premium and similar premiums*

On 19 December 2019, the Company issued 2,090,000 new shares without indication of a nominal value. As a result of the increase, the Company's share premium was increased by an amount of USD 13,554,841.26.

The share premium account as at 30 June 2020 amounts to USD 507,069,043.22 (30 June 2019: USD 493,514,201.96).

#### *Legal reserve*

Under Luxembourg law, the Company is obliged to allocate to a legal reserve a minimum of 5% of its annual net profit until this reserve reaches 10% of the subscribed share capital. This reserve is not available for distribution. The legal reserve amounts to USD 216,374.01 (30 June 2019: USD 216,374.01).

During the annual general meeting in December 2020, the board of directors will allocate a further USD 5,518.99 from the profit earned for the financial year ended 30 June 2020, to maintain a legal reserve of 10% of subscribed capital.

#### *Interim dividend*

On 10 December 2015, the Board of Directors announced the approval of the dividend policy, adopting the dividend per share approach (DPS). Starting from the FY 2015 results announcement, Kernel Holding S.A. maintains a sustainable annual dividend of USD 0.25 per share.

On 10 December 2019, the Company declared a dividend for an amount of USD 21,007,808.00 (2019: USD 20,485,307.50). The payment of the net dividend has been done by a set-off against loan interest receivable from Inerco Trade S.A. on 30 April 2020 (see Note 4).

### Note 8 – Provisions

Provisions are made up as follows:

	30.06.2020 USD	30.06.2019 USD
Provision for liability (see note 16)	34,047,279.06	31,871,723.82

During the financial year, the Company has increased the carrying amount of the provision for legal claims by USD 2,175,555.24 to USD 34,047,279.06 as of 30 June 2020. The increase from prior year relates to the accrued interest of 10% commencing on 27 February 2018. No payment has been made to the claimant pending the outcome of the challenge. For the details on the provision please see Note 17.

## Notes to the annual accounts for the year ended 30 June 2020

### Note 9 – Creditors

Amounts due and payable for the accounts shown under “Creditors” are as follows:

	Due and payable within one year USD	Due and payable after one year and within five years USD	Total 30.06.2020 USD	Total 30.06.2019 USD
<b>Non convertible loans</b>	<b>22,225,068.32</b>	<b>800,000,000.00</b>	<b>822,225,068.32</b>	<b>518,229,166.67</b>
Eurobonds - Guaranteed notes (Principal amount)	—	800,000,000.00	800,000,000.00	500,000,000.00
Eurobonds - Guaranteed notes (Accrued interest)	22,225,068.32	—	22,225,068.32	18,229,166.67
<b>Amounts owed to affiliated undertakings</b>	<b>31,227,732.98</b>	<b>—</b>	<b>31,227,732.98</b>	<b>8,404.65</b>
<b>Trade creditors</b>	<b>798,640.79</b>	<b>—</b>	<b>798,640.79</b>	<b>553,644.80</b>
<b>Tax authorities</b>	<b>989,391.11</b>	<b>—</b>	<b>989,391.11</b>	<b>389,153.43</b>
<b>Other creditors</b>	<b>31,292.51</b>	<b>—</b>	<b>31,292.51</b>	<b>3,064,361.23</b>
<b>Total</b>	<b>55,272,125.71</b>	<b>800,000,000.00</b>	<b>855,272,125.71</b>	<b>522,244,730.78</b>

The initial guaranteed notes have been issued on the Irish stock exchange with ISIN code XS1533923238 on 31 January 2017. The amount listed equals to USD 500,000,000.00. The notes bear interest at a rate of 8.75% and will mature on 31 January 2022. The interest expense as at 30 June 2020 amounts to USD 43,750,000.00. (USD 43,750,000.00 as at 30 June 2019).

The latter guaranteed notes have been issued on the Irish stock exchange with ISIN code XS2010040983 on 17 October 2019. The amount listed equals to USD 300,000,000.00. The notes bear interest at a rate of 6.50% and will mature on 17 October 2024. The interest expense as at 30 June 2020 amounts to USD 13,745,901.65.

For both the Eurobonds issue of 2017, and that of 2019, two covenants are in place which are that of having the obligation to maintain 80% of EBITDA and 80% of Total Assets at financial year end. Moreover, on the 2019 Eurobonds issue, there is an additional covenant that obliges to meet the Fixed Charge Coverage Ratio with a minimum of 3.0 to 1. As at 30 June 2020, the Company has met both obligations arising from such covenants.

On 13 September 2017 the Company had received an amount of USD 3,000,000.00 as a security deposit for the sale of Taman Deposit. As the sale of its participation has been concluded during the financial year, the deposit then was netted-off against the consideration price received.

### Note 10 – Deferred Income

Deferred income is made up as follows:

	30.06.2020 USD	30.06.2019 USD
<b>Deferred Income</b>		
Deferred accrued interest on loans - indirect shareholding (see note 4)	—	2 608 072,47
Deferred accrued interest on loans - third party (see note 4)	329 767,14	425 027,40
<b>Total</b>	<b>329 767,14</b>	<b>3 033 099,87</b>

## Notes to the annual accounts for the year ended 30 June 2020

### Note 11 – Other external expenses

The other external expenses are composed as follows:

	2020 USD	2019 USD
Fees related to Stiomi (see note 17)	(2,175,555.24)	(2,900,740.32)
Legal fees	(1,978,720.49)	(1,083,270.43)
Legal fees*	(238,311.23)	(46,319.44)
Accounting and audit fees	(895,198.70)	(438,375.59)
Other insurances	(342,024.72)	(5,840.79)
Other fees	(321,356.71)	(140,262.72)
Other fees- Arendt Services	(132,095.33)	(104,556.28)
Tax advisory fees	(43,431.19)	(59,766.53)
Contributions to professional associations	(33,971.85)	(27,538.19)
Rental of buildings	(20,926.55)	(21,130.38)
Account costs	(13,678.48)	(9,343.45)
Telephone and other telecommunication costs	(3,361.58)	(1,995.72)
Translation fees	(3,053.88)	(707.63)
Other sundry external charges	(1,338,221.64)	(364,773.43)
<b>Total</b>	<b>(7,539,907.59)</b>	<b>(5,204,620.90)</b>

\* Fees related to the Eurobonds issuance and financing activity

### Note 12 – Staff

The Company had one part-time employee during the financial year ended 30 June 2020 (30 June 2019: one part-time).

### Note 13 – Emoluments granted to the members of the management and supervisory bodies and commitments in respect of retirement pensions for former members of those bodies

The emoluments granted to the members of the management and supervisory bodies in that capacity are broken down as follows:

	2020 USD	2019 USD
Directors' fees: amounts paid to the Directors during the year	226 571,89	264 153,94

As of and during the year ended 30 June 2020, the fair value of the share-based options granted to the management was USD 4,624 thousand and USD 567 thousand was recognized as an expense (part of payroll and payroll related expenses), with a corresponding increase in equity over the vesting period (as of and during the year ended 30 June 2019: USD 9,111 thousand and USD 997 thousand, respectively) and USD 5,054 thousand decrease in the fair value of the share-based options was recognized as a result of exercised share-based options (30 June 2019: nil).

On 10 December 2019, the annual general meeting of shareholders approved an annual dividend of USD 0.25 per share amounting to USD 21,007 thousand. On 30 April 2020, the dividends were fully paid to the shareholders.

## Notes to the annual accounts for the year ended 30 June 2020

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### Note 14 – Audit fees

Audit fees are made up as follows:

	2020 USD	2019 USD
Audit fees	744 550,64	482 439,86

### Note 15 – Off balance sheet commitments

The financial commitments of the Company are as follows:

The Company is a Guarantor under two syndicate pre-export credit facilities with European banks for a total amount of USD 690 million.

Also the Company guarantees all the obligations under long-term CapEX financing from European Investment Bank and European Bank for Reconstruction and Development Bank for the total amount of USD 306 million.

The Company has commitment as a Guarantor under five loans signed between Avere Commodities S.A./Avere Commodities Corp and European banks for financing of trading facility for the total amount of USD 202 million.

The Company is engaged as a Guarantor under USD 64 million secured revolving agreement signed between Inerco Trade S.A., Avere Commodities S.A., Avere Commodities Corp and European bank for trade financing.

Additionally Company as guarantor guarantees all the obligations under USD 230,5 million loans agreements signed by subsidiaries of Kernel Holding S.A. with European Banks and their subsidiaries in Ukraine.

The Company is committed to issue shares for share option plan.

### Note 16 – Tax Status

The Company is fully taxable under Luxembourg tax regulations.

### Note 17 – Contingencies

#### Capital Commitments

As of 30 June 2020, the Group had commitments under contracts with a group of suppliers for a total amount of USD 61,488 thousand, mostly for the construction of an oil-crushing plant and port terminal (30 June 2019: USD 152,851 thousand, mostly for the purchase of agricultural equipment and reconstruction of a terminal).

#### Contractual Commitments on Sales

As of 30 June 2020, the Group had entered into commercial contracts for the export of 761,000 tons of grain, 307,902 tons of sun-flower oil and 416,036 tons of sunflower meal and other related products, corresponding to an amount of USD 146,112 thousand, USD 233,685 thousand and USD 84,371 thousand, respectively, in contract prices as of the reporting date.



## Notes to the annual accounts for the year ended 30 June 2020

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### Note 17 – Contingencies (continued)

#### Contractual Commitments on Sales (continued)

As of 30 June 2019, the Group had entered into commercial contracts for the export of 802,375 tons of grain and 546,117 tons of sunflower oil and meal, corresponding to an amount of USD 156,194 thousand and USD 227,450 thousand, respectively, in contract prices as of the reporting date.

#### Taxation and Legal Issues

In April 2012, the Group entered into a call option agreement to acquire Stiom Holding, a farming company located in the Khmelnytskyi region of Ukraine. As of 30 June 2018, the consideration paid for Stiom Holding by the Group comprised US\$33,472 thousand. A final payment was due and payable only after fulfilment of certain conditions to the satisfaction of the Group and subject to rights of set-off in respect of claims against the sellers. The Group submitted several claims to the sellers (the "Stiom Sellers") in respect of the non-fulfilment of the Stiom Sellers' obligations. In December 2012, the Group received a request for arbitration from the Stiom Sellers in which the Stiom Sellers claimed amounts alleged to be payable to them. The arbitral tribunal delivered its award in late February 2018. That award was in part subject to challenge by the Group in the High Court in London. In March 2019, the High Court remitted the award to the tribunal for reconsideration in certain respects and a further hearing took place before the tribunal in September 2019. Pursuant to the tribunal's revised award, which was delivered in December 2019, the Group is required to pay the sellers an aggregate amount of approximately US\$30.3 million.

The Stiom Sellers have made further claims against the Group for interest on the amounts due to them at the rate of 10% per annum (corresponding to US\$5,944 per day since the date of the initial arbitral award in late February 2019), and have initiated court proceedings in Luxembourg and Switzerland in respect of such interest due, as well as took actions enforce the payment of the arbitral award. The Group disputes the Stiom Seller's claims for interest due. In Switzerland, the Stiom Sellers have obtained attachment orders against certain bank accounts of the Group. In Luxembourg, the Stiom Sellers have initiated attachment proceedings to put in place conservatory measures against Kernel's bank accounts. Furthermore, former counsel to the Stiom Sellers has also obtained an attachment order against the Group, which prevents the Group from paying any amounts to the Stiom Sellers until the attachment order is lifted. Finally, a third party brought claims in Swiss courts asserting that one of the Stiom Seller's claims has been assigned to them, which the Stiom Sellers dispute. As a result of these conflicting claims and proceedings, the Group has been unable to discharge its payment obligations in respect of the arbitral award to the Stiom Sellers, pending the resolution of these issues.

As of 30 June 2018, the Group recognised a provision regarding the arbitral and the related proceedings. The provision represents the directors' best estimate of the maximum future outflow that will be required in respect of the award. The carrying amount of the provision payables for legal claims was US\$34,047 thousand as of 30 June 2020 (2019: US\$31,872 thousand), and related expenses in the amount of US\$2,175 thousand were recognised within the year ended 30 June 2020 (2019: US\$2,901 thousand) and included within the line "Other expenses, net".

The Group performed certain sale and acquisition transactions and other concentrations which could have required the obtaining of the prior approval of the Antimonopoly Committee of Ukraine ("AMC"). In February 2019, the Group acquired RTK-Ukraine LLC (the "Acquisition"). In July 2019, the AMC initiated investigation in respect of the Acquisition claiming that the Group had to obtain the AMC approval for the concentration prior to acquisition of RTK Ukraine. The Group believes that the AMC approval for the concentration was not required as the Acquisition falls under the exemption allowing not to obtain the AMC approval for the concentration.

In December 2019, the AMC decided to drop the investigation and close the case, thus confirming that no AMC approval for the concentration prior to acquisition of RTK Ukraine was required.

As of 30 June 2020, the Group's management assessed its maximum exposure to tax risks related to VAT refunds claimed by the Group, the deductibility of certain expenses for corporate income tax purposes and other tax issues for total amount of USD 21,493 thousand (30 June 2019: USD 21,493 thousand), from which USD 7,797 related to VAT recoverability (30 June 2019: USD 7,797 thousand), USD 10,592 thousand related to corporate income tax (30 June 2019: 10,592 thousand) and USD 3,104 thousand related to other tax issues (30 June 2019: 3,104 thousand).

## Notes to the annual accounts for the year ended 30 June 2020

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### Note 17 – Contingencies (continued)

#### Taxation and Legal Issues (continued)

As of 30 June 2020, companies of the Group had ongoing litigations with the tax authorities concerning tax issues for USD 20,471 thousand (30 June 2019: USD 20,471 thousand), included in the abovementioned amount. Out of this amount, USD 7,613 thousand relates to cases where court hearings took place and where the court in either the first or second instance has already ruled in favor of the Group (30 June 2019: USD 7,613 thousand). Management believes that based on the past history of court resolutions of similar lawsuits by the Group, it is unlikely that a significant settlement will arise out of such lawsuits and no respective provision is required in the Group's financial statements as of the reporting date.

Ukraine's tax environment characterizes by complexity in tax administration, arbitrary interpretation by tax authorities of tax laws and regulations that could increase fiscal pressure on taxpayers. Inconsistent application, interpreting, and enforcement of tax laws can lead to lawsuits resulting in the imposition of additional taxes, penalties, and interest.

### Note 18 – Operating environment

Since 2016, the Ukrainian economy has demonstrated signs of stabilization after years of political and economic tension. During the year 30 June 2020, the Ukrainian economy continued its recovery and achieved real GDP growth of around 1% (2019: 3%), modest annual inflation of 2.4% (2019: 9%), and stabilization of the national currency (appreciation of the national currency by around 7% to USD and 10% to EUR comparing to previous year averages).

Ukraine continues to limit its political and economic ties with Russia, given annexation of Crimea, an autonomous republic of Ukraine, and an armed conflict with separatists continued in certain parts of Luhansk and Donetsk regions. As a result of this, the Ukrainian economy is refocusing on the European Union (the "EU") market by realizing potentials of established Deep and Comprehensive Free Trade Area with the EU.

To further facilitate business activities in Ukraine, the National Bank of Ukraine (the "NBU") starting from 20 June 2019 has lifted the surrender requirement for foreign currency proceeds, cancelled all limits on repatriation of dividends since July 2019 and gradually decreased its discount rate for the first time during the recent two years, from 18.0% in April 2019 to 11.0% in January 2020 with further decrease to 6.0% in June 2020.

The degree of macroeconomic uncertainty in Ukraine in 2020 still remains high due to a significant amount of public debt scheduled for repayment in 2019-2020, which requires mobilizing substantial domestic and external financing in an increasingly challenging financing environment for emerging markets. At the same time, Ukraine has passed through the period of presidential and parliamentary elections. All newly elected authorities have demonstrated their commitment to introduce reforms in order to boost economic growth, while maintaining macro-fiscal stability and liberalizing economic environment. These changes have resulted in, inter alia, improved Fitch's rating of Ukraine's Long-Term Foreign- and Local-Currency Issuer Default Ratings from "B-" to "B", with a positive outlook. Further economic growth depends, to a large extent, upon success of the Ukrainian government in realization of planned structural reforms and effective cooperation with the International Monetary Fund (the "IMF").

In addition to that, starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group's business largely depends on the duration and the incidence of the pandemic effects on the world and Ukrainian economy.

## Notes to the annual accounts for the year ended 30 June 2020

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### Note 19 – Subsequent events

On 10 June 2020, the Company, as the “Buyer”, has entered into a purchase and sale agreement to acquire 1,160,920 registered investment certificates for an amount of USD 9,999,468.33. The buyer shall receive the securities from the seller on 1 July 2020.

On 22 September 2020, the Company has disposed-off of its Eurobonds that it held for an amount of USD 2,237,841.67.